

Briege Tyrie
Utility Regulator
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RE: Draft Corporate Strategy 2019 – 2024

31st January 2019

Dear Briege,

Bord Gáis Energy (**BGE**) welcomes the opportunity to input into the Utility Regulator's forthcoming Corporate Strategy. We appreciate that given current uncertainties it is difficult to formulate policy, but this in our view means that it is even more critical that the vision for the regulatory environment is clarified and established.

Given the direction of services and markets, it appears to us that the three strategic objectives outlined in your Draft Corporate Strategy document are becoming more streamlined. That is to say that in the future the customer will be the medium through which a low carbon and secure energy future is achieved. We therefore need to consider how customers' interests and rights will be different and how they should be properly informed and protected in this environment. We are not proposing that this will be delivered within the timeframe of the Corporate Strategy timelines, but the transition is likely to begin in this time. It would therefore be useful in our view if the Utility Regulator developed its visions for the future energy market, bearing in mind that for the foreseeable future there is likely to be a blend of traditional services and smart services offered to the market and that there is a cost involved in transition to a low carbon market. As part of this vision, it would be useful if the Utility Regulator could consider how it would like to regulate the market ensuring fair outcomes for all customers.

An understanding of this type of vision for the market and related regulatory principles would be useful for parties seeking to enter and invest in the market. The role of network operators, their incentives and the recovery of network costs will also be an important consideration in this piece of work to ensure that efficient investments are both made and recovered.

With respect to the third Strategic Objective, regarding security of supply and a low carbon future, BGE has significant concerns that the short-term needs of a system that has had difficulty in getting the necessary grid investment in recent years is undermining the wholesale market. Whereby we can appreciate the need to keep the lights on and ensure a secure system and supply of power to customers, we should balance this with the need to support the market which customers and investors alike have all spent many years and millions of pounds and euro to create. This in our view requires vision that extends beyond the short-term into the medium and long term with a view to getting the best deal for consumers.

BGE therefore urges the Utility Regulator to minimize any out of market contracts with parties¹. However, where the situation, after due regard to the short versus longer term benefits for consumers and wider market competition, requires entering into security of supply related contracts, then these parties should be ring-fenced from the market. Ring-fencing such contracts from the market will be key in delivering long-term investment signals in the right areas of the

¹ We have similarly spoken to the CRU about minimising its interference with the market and issues with the recent contracts entered with certain units in the Dublin area.

network and ensuring that any short-term contract does not distort market outcomes (entry and exit signals). In this regard we also believe that the regulator's intention to monitor market power will have a key role to play in ensuring optimal operation of the wholesale, and consequently retail markets. We look forward to working with the Utility Regulator to enhance the market as it is structured to ensure the market delivers the right investments, in the right location, at the right price.

I hope you find the comments above helpful. Please do not hesitate to contact me if you would like to discuss any of the points in more detail.

Yours sincerely,

Julie-Anne Hannon
Senior Manager, Regulatory Affairs
Bord Gáis Energy

{By email}